

EXHIBIT H

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange of 1934 (Amendment No. _____)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

TARRAGON CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**TO BE HELD ON JUNE 15, 2005**

Please join us for the Annual Meeting of Shareholders of Tarragon Corporation on Wednesday, June 15, 2005 at 9:00 a.m., local New York City time, at the NASDAQ Stock Market, 4 Times Square (43rd and Broadway), New York, New York 10036, to consider and take action on the following items:

1. Election of nine directors;
2. Ratification of the selection of Grant Thornton LLP as independent auditors for the fiscal year ending December 31, 2005; and
3. Transaction of any other business properly brought before the Annual Meeting or any adjournment thereof.

You are cordially invited to attend the Annual Meeting in person.

You must be a shareholder of record at the close of business on April 15, 2005, to vote at the Annual Meeting.

Your vote is important. Accordingly, whether or not you plan to attend the Annual Meeting, please sign, date and promptly return the enclosed proxy card in the envelope provided.

Dated: May 2, 2005

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Kathryn Mansfield
Kathryn Mansfield
Executive Vice President,
Secretary and General Counsel

Table of Contents**Executive Compensation Committee Report on Executive Compensation**

The Executive Compensation Committee establishes compensation policies, reviews and approves executive compensation programs, administers Tarragon's option plans and authorizes option grants and other stock based incentive awards. Tarragon's compensation policies, as established by the Committee, are based on the principle that compensation should, to the extent possible, reflect the financial performance of the company and the individual's performance and contribution to the company's success, as well as provide long and short-term employment incentives.

Historically, Tarragon's compensation policy has been to provide all employees with a total compensation package that includes a competitive salary, an incentive bonus based upon individual performance, competitive benefits and an efficient, worker-friendly workplace environment. In addition, most employees are eligible to receive qualified incentive stock options or stock appreciation rights under Tarragon's stock option plans, which were established to reward and motivate employees by providing them with an opportunity to acquire a proprietary interest in Tarragon and aligning their interests with those of our shareholders.

Compensation Policies applicable to Executive Officers

The Committee seeks to ensure an executive compensation program that supports our mission – to maximize shareholder value. Thus, Tarragon's executive compensation policies are based upon the following tenets:

- Total compensation programs should strengthen the relationship between pay and performance by emphasizing variable, at-risk compensation that depends upon the company's achievements and the individual's performance goals.
- Management should be focused on the long-term interests of shareholders. Thus, some portion of the compensation must be long-term, at-risk pay in the form of stock options or stock appreciation rights.
- We must maintain our ability to attract, retain and encourage the development of qualified, capable executives. Total compensation opportunities should mirror those offered by organizations of comparable size within the real estate industry; for those positions where the labor market is not limited to the real estate industry; we must reference broader general industry information for similar-sized organizations.

The compensation structure of our executive officers includes three components – base salary, a short-term incentive award paid as a cash bonus, and a long-term incentive award in the form of stock options or stock appreciation rights payable in stock. Executive salaries have been set at levels designed to allow Tarragon to attract, inspire and retain the highly qualified real estate professionals essential to the company's continued success. Tarragon's executive officers are paid salaries in line with their experience and responsibilities, and salary increases are based upon the

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executive's past performance, current level of contribution and future potential, as well as the relevant labor market. Peer group compensation practices are also taken into consideration. The comparative group used for compensation purposes will generally be broader than the group that comprises the published industry index in the performance graph included in this proxy statement. The Committee believes that our competition for executive talent is not limited to the companies included in the published industry index established for comparing shareholder returns. Typically, executive salaries are reviewed annually.

Short and long term incentive awards are based upon the executive's measure of success in attaining both individual and company performance goals, and are designed to provide motivation for executive performance that results in continuing improvements in the company's financial results and condition over both the short and long term. In addition, long-term incentive awards in the form of stock option grants or stock appreciation rights may also be based on various subjective factors, primarily relating to the responsibilities of the individual executive and his or her expected future contributions and prior option grants.

Effective December 2004, the Board of Directors adopted a Development Incentive Compensation Program that established a three-tier bonus pool equal to 8% of the estimated net pre-tax profits earned or to be earned by Tarragon on all development projects, payable in cash and stock appreciation rights equal in potential value to 25% of the cash bonus awarded, based on our stock price on the date of grant. Senior development executives are eligible for a bonus tied directly to the success and profitability of the specific projects under their supervision and control. In addition, all development executives, members of their development teams and divisional personnel are eligible for bonuses based on the estimated net, pre-tax profit of all development projects undertaken by the company. The program was specifically designed as an incentive to development executives to maximize profitability of their own projects by providing an opportunity to benefit directly from the success of those projects, while also fostering cooperation and team spirit across all personnel, by allowing everyone to share in the profitability of the development projects undertaken by the company as a whole. The CEO and other named executive officers are also eligible under the Development Incentive Compensation Program, although the actual bonus and equity awards which might be payable to them annually are subject to the review and approval of the Executive Compensation Committee, in its absolute discretion.

Section 162(m) of the Internal Revenue Code generally limits the corporate deduction for annual compensation paid to the named executive officers to \$1 million, unless certain requirements are met. The Committee will consider the impact of this provision when making compensation decisions. However, the Committee will weigh all pertinent factors to determine appropriate plan design and incentive awards.

2004 CEO Compensation

During 2004, William S. Friedman, our Chief Executive Officer, received a base salary of \$350,000, a cash bonus of \$400,000 and a long-term incentive award of 45,000 stock appreciation rights (as adjusted for a February 2005 3-for-2 stock split) payable in stock, and capped at a value of \$10 per share. The Committee approved Mr. Friedman's 2004 salary based in part upon